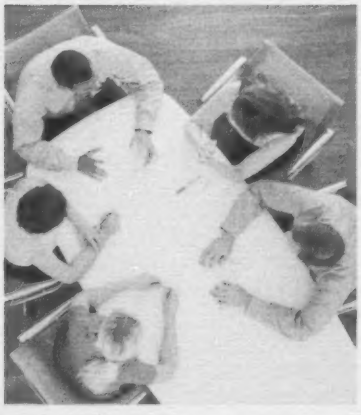


Newfoundland Labrador

## Government Purchasing Agency

# Annual Report 2014-15

# Table of Contents


ii **Message from the Minister**

1 **Agency Overview**
1 Vision
1 Mission
1 Mandate
2 Lines of Business
4 Organizational Structure
4 Staffing Complement

5 **Shared Commitments**
5 Public Sector
5 Industry
6 Federal, Provincial and Territorial Government

7 **Highlights and Accomplishments**
7 Purchasing
7 Audit, Information and Training

9 **Report on Performance 2014-15**
9 Issue 1: Procurement Reform
10 Issue 2: Access to Training and Development Opportunities

11 **Opportunities and Challenges**

12 **Financial Statements**

# Message from the Minister

In keeping with Government's commitment to transparency and accountability, I am pleased to present the Government Purchasing Agency's 2014-15 Annual Report. As Minister responsible for the Agency I am accountable for the results presented within this report. This is a performance-based report that reflects the progress by the Agency towards achievement of the goals outlined in the 2014-17 Business Plan.

I would like to take this opportunity to acknowledge the outstanding commitment of the staff of the Government Purchasing Agency. I look forward to their continued dedication to ensuring a fair, open and transparent procurement environment.

Sincerely,

Susan Sullivan

Susan Sullivan
Minister

# Agency Overview

The Government Purchasing Agency is an independent branch of the public service and a category two entity under the *Transparency and Accountability Act*. The authority for the Agency's operations is provided by the *Government Purchasing Agency Act* which outlines its mandate and role. The Chief Operating Officer is responsible for the direct management of the Agency and ensures that all procurement activities are carried out in accordance with the *Public Tender Act*.

Primary clients of the Agency include departmental and government-funded body employees and members of the local supplier community. The Agency provides all stakeholders access to up-to-date procurement information through its website at www.gpa.gov.nl.ca. This site provides details on bidding opportunities that are available to the public, information on legislation, agreements, terms and conditions for procurement and contract award information.

***The Agency provides all stakeholders access to up-to-date procurement information through its website at www.gpa.gov.nl.ca.***

Authority for the Agency's operation is provided through the *Government Purchasing Agency Act* and *Public Tender Act*:

- *Government Purchasing Agency Act*–outlines the mandate of the Agency and provides for its operation.
- *Public Tender Act* – primary legislation that governs procurement within the public sector.

### Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

### Mission

By March 31, 2017 the Government Purchasing Agency will have enhanced its business processes.

### Mandate

The Agency's mandate is derived directly from the *Government Purchasing Agency Act* and includes the following five responsibilities:

1. Acquisition of goods and services required by departments of the public service. The Chief Operating Officer may delegate this authority, in full or in part, to departments in the interest of efficiency.

Additionally, the Agency may acquire goods and services required by government funded bodies, upon the direction of the Lieutenant-Governor in Council, where efficiencies may be achieved.

2. Responsibility for a joint purchasing advisory board currently the Central Purchasing Authority (CPA). The CPA is responsible for the coordination and establishment of high value contracts for common goods and services utilized by departments and government-funded bodies.

3. Reporting of acquisitions in excess of established thresholds without a tender invitation and awards to other than the preferred bidder to the House of Assembly. The Chief Operating Officer of the Agency has the authority to review and express an opinion regarding the sufficiency of the grounds for using an exception.

4. Auditing and review of the acquisition process of departments and other government-funded bodies to ensure compliance with procurement legislation, policies and procedures.

5. Provision of training to government-funded bodies to ensure awareness of applicable legislation and purchasing policies and procedures.

***For acquisitions with an estimated value less than or equal to $10,000 the Act requires either three direct quotes or the establishment of a fair and reasonable price***

**Lines of Business**

During the 2014-15 fiscal year, the Government Purchasing Agency delivered the following two main program and service areas to its primary clients:

1. Procurement

   The Agency acquires goods and services on behalf of government departments and agencies in accordance with the *Public Tender Act and Regulations*, trade agreements and established policies and procedures. The Act provides for openness and transparency in the procurement process requiring the public advertising of any requirement for goods or services in excess of $10,000 unless special circumstances exist. For acquisitions with an estimated value less than or equal to $10,000 the Act requires either three direct quotes or the establishment of a fair and reasonable price.

   The Agency manages the procurement cycle from planning to solicitation, evaluation and award, and post-award. Staff provides direction and guidance to end-users during the preparation of their request documents and advertises the solicitation documents on

their behalf. Procurement Officers review and evaluate supplier submissions to ensure compliance with the terms, conditions and specifications of the document. Subsequent to the evaluation process and upon determination of a preferred bidder, a contract is awarded for the requirements. In the post-award stage the Agency provides support during contract administration.

2. Audit, Information and Training

The Agency provides information and training regarding the *Public Tender Act*, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, Agreement on Internal Trade and purchasing policies and procedures. This service is readily available to all the Agency's clients including departments, government-funded bodies and the supplier community.

The Atlantic Procurement Agreement and the Agreement on Internal Trade allow local businesses to openly compete for Government opportunities throughout the country. An important component in being competitive is for suppliers to remain up-to-date with the public procurement process. Through partnership with the Department of Business, Tourism, Culture and Rural Development, the Agency provides forums for the public to obtain information on the public procurement process and how the supplier community can become more involved.

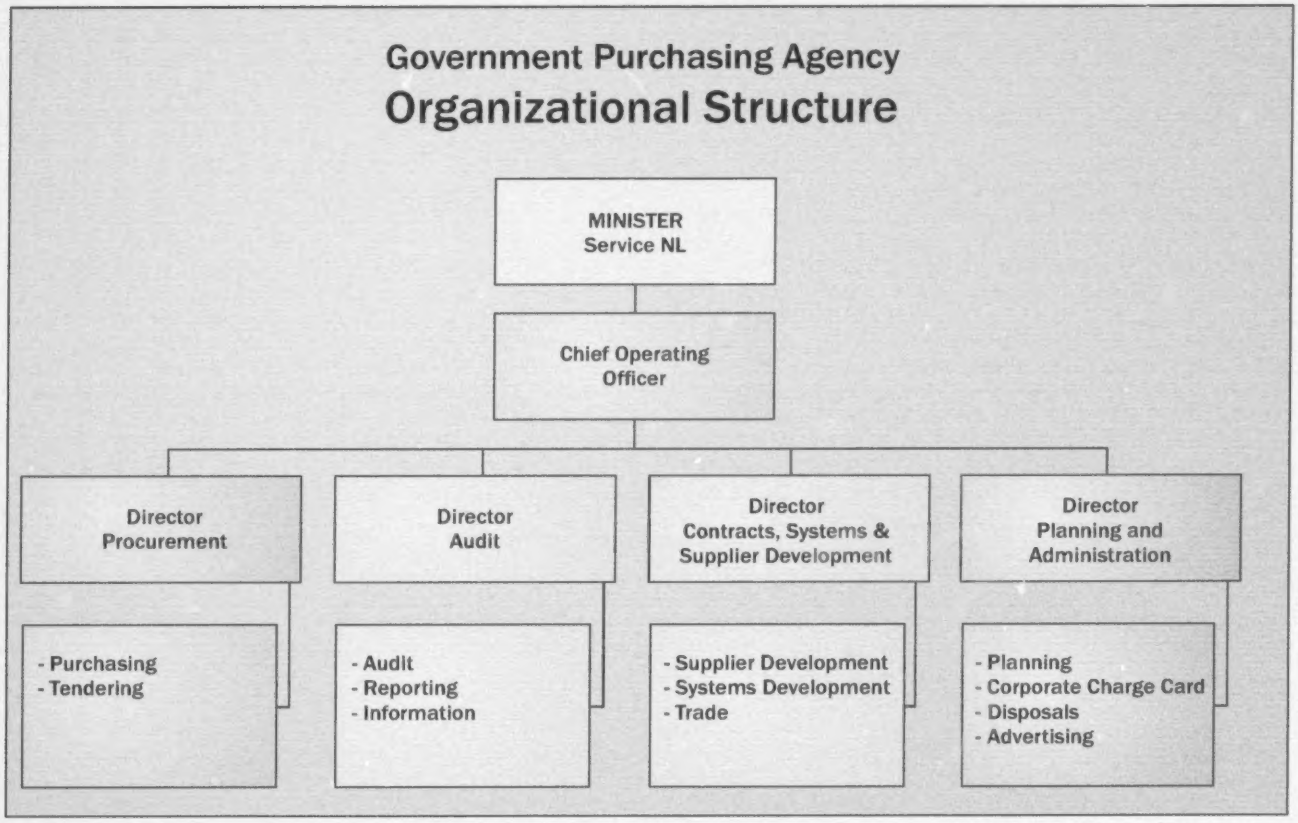
***An important component in being competitive is for suppliers to remain up-to-date with the public procurement process.***

Procurement information is collected from government funded bodies and allows the Agency to monitor procurement patterns across the province and the success of local companies when competing for government business. In the interest of transparency the Agency posts its tender award information on its website providing suppliers with the results of procurement opportunities.

The Agency's audit function promotes accountability and proper application of the procurement legislation throughout the public sector. Reviews of departmental and government-funded bodies procurement practices both facilitate legislative compliance and the identification of training opportunities.

## Organizational Structure

The effective and efficient delivery of its programs and services was supported by an organizational structure that consisted of four distinct branches as depicted in the diagram shown below.




## Staffing Complement

During the 2014-15 fiscal year, the Agency had 40 staff positions with a female to male ratio of 4:1. The headquarters for the Government Purchasing Agency has all staff located at the Petten Building, 30 Strawberry Marsh Road, St. John's. The Agency also maintains a warehouse facility in Building 910 in Pleasantville where government assets are held for disposal.

# Shared Commitments

As an Agency of Government, the Government Purchasing Agency places strong emphasis and high priority on the development and maintenance of effective relationships with government departments, government funded bodies, the supplier community and provincial, federal and territorial governments to achieve strategic and operational priorities. As such, much of the performance achieved during 2014-15 fiscal year was made possible because of the Agency's shared commitment to achieving common results. Additional accomplishments made by these collaborative relationships are detailed below.

### Public Sector

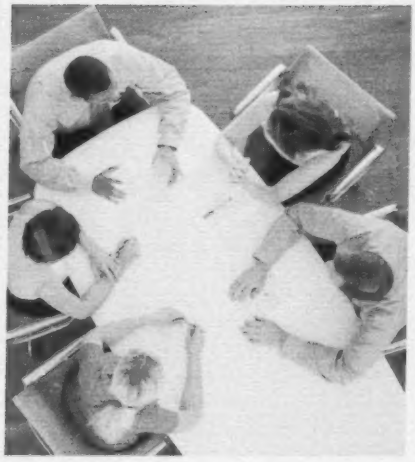
*Agency staff continue to provide support services to departments and government funded bodies on procurement matters.*

To continue in support of Government's strategic direction the Government Purchasing Agency focuses on Procurement Reform-modernizing procurement practices, enhancing procurement across the public sector and enhanced stakeholder communication. Agency staff has reached out to other government funded bodies for discussions on furthering the aggregation of common items for the purpose of joint procurement. Through a joint initiative public bodies are better able to achieve standardization of products and obtain best value through the utilization of increased efficiencies and economies of scale.

The Agency continues to support the Department of Business, Tourism, Culture and Rural Development with the procurement component of trade relations. Information regarding the provinces purchasing legislation, policies, procedures and practices is provided to the Trade Policy and logistics division to support the province's position on these matters. Additionally, Agency staff continues to provide support services to departments and government funded bodies on procurement matters. Personnel provide advice, guidance and interpretation relevant to legislation and policies and procedures; assist in the development of tender specifications and bid evaluating; and publish tender and award information online.

### Industry

In the past year the Agency engaged in meetings with members of the supplier community as part of the process to reform procurement practices. Development of a strong relationship with the supplier base is an important aspect of the procurement process and one that has to be nurtured for the benefit of the province. Discussions with vendors centered around new and innovative products, green procurement, specifications, delivery and terms and conditions.



*The Agency has been involved in initial discussions with regional counterparts that would allow all provinces to leverage their buying power.*

The Agency also continued its partnership with the Department of Business, Tourism, Culture and Rural Development to increase awareness and supplier access to public procurement opportunities. Agency personnel participated in supplier information and trade show events focusing on procurement practices and potential bidding opportunities.

**Federal, Provincial and Territorial Government**

The province remains a participant in the Atlantic Procurement Agreement and the Agreement on Internal Trade; intergovernmental trade agreements which have established a framework ensuring equal access to public procurement opportunities. These agreements have reduced trade barriers both regionally and nationally and provide inputs for a more competitive procurement environment.

The Agency has also been involved in initial discussions with our regional counterparts regarding consolidation of requirements for specific commonly used items. This would allow all provinces to leverage their buying power to achieve better value for its acquisition. The economies of scale created from a combining of requirements can be utilized to increase the negotiating position for the betterment of the public. Additionally, there have been brief discussions with the federal government on the utilization of national purchasing arrangements.

# Highlights and Accomplishments

*Agency staff process in excess of 19,000 procurement transactions in 2014-15.*

## Purchasing

With the completion of Phase 2 of the Strategic Procurement Project and award of several contracts in fiscal year 2013-14, the focus for the Agency in 2014-15 was the management of these contracts. Agency staff began the process of establishing relationships with suppliers and public officials, monitoring usage and buying patterns, providing assistance to end users; and, addressing issues as they arise.

Staff maintains communication with counterparts in other jurisdictions to ensure best practices are followed in the procurement practices and new methodologies are reviewed and utilized to ensure best value.

Additional achievements in the purchasing division for fiscal year 2014-15 are as follows:

- The Agency processed in excess of 19,000 procurement transactions.
- The Agency held three public auctions for the disposal of government vehicles.
- There were eight tenders for the disposal of surplus government assets.
- Staff administered in excess of 900 corporate travel cards.
- The Central Purchasing Authority coordinated and issued 19 opportunities for the procurement of consolidated commodities on behalf of government departments and public bodies.

## Audit, Information and Training

The Audit, Information and Training division of the Agency continued its work during 2014-15 and marked the following highlights and accomplishments.

- During this period 1685 exceptions were processed by the Agency and compiled for reporting to the House of Assembly. This involves a review of each exception to ensure compliance with legislative requirements.
- The provision and delivery of training continued in 2014-15 for Agency staff and personnel from other public bodies.
- The Agency continued to review procurement activities of

government funded bodies to ensure compliance with the *Public Tender Act* and Regulations.

***During 2014-15, 1685 exceptions were processed by the Agency and compiled for reporting to the House of Assembly.***

**Issue 1: Procurement Reform**

Increasing efficiencies in procurement has become a priority for Governments across Canada. New and evolving techniques are continuously being proposed. The Agency continues to review several opportunities for modernizing and reforming its current procurement processes. This issue contributed to the strategic directions of modernizing procurement by incorporating new practices to achieve best value.

**Goal**: By March 31, 2017, the Government Purchasing Agency will have reformed procurement processes throughout the pubic sector.

**Objective**: By March 31, 2015, the Government Purchasing Agency will have made enhancements to its internal business process.

**Measure**: Internal business process enhanced.

**Indicator**: Reduced administrative process and cost for low dollar procurements.

In 2014-15 an analysis of processes and practices was completed which identified areas where efforts could be adjusted to enhance business processes and increase internal efficiencies. As a result of this a number of adjustments were made which amended work flows and streamlined processes. This was accomplished through a realignment of functions and increases in purchasing authorities and responsibilities. At the same time, staff relocation provided for more effective workload allocation.

Additionally in 2014-15 the Agency partnered with the Office of the Chief Information Officer and the Department of Finance to advance the Purchasing Card Program to the pre-pilot stage. Business processes, workflows, policy and training materials were developed for the pilot. The Purchasing Card will provide users with an additional method of acquiring goods and services and streamline the procurement and payment process resulting in reduced costs for low-dollar procurements.

**Objective:** By March 31, 2016 the Government Purchasing Agency will have initiated implementation of procurement enhancements to the greater public sector.

**Measure:** Implementation of procurement enhancements to the greater public sector initiated.

**Indicator:** Implementation of procurement enhancements has commenced.

### Issue 2: Access to Training and Development Opportunities

The Agency operates within a legislative and regulatory environment that promotes transparency and equal opportunity in public sector procurement. Staff development and training are critical within this environment and the evolving world of procurement to ensure we meet the needs of our clients. Procurement professionals play a very important role in the financial position of organizations and need to be apprised of new and innovative strategies and methodologies and changes in the legal environment as it relates to purchasing.

**Goal**: By March 31, 2017, the Government Purchasing Agency will have put into practice a training and development program supporting procurement professionals throughout the public sector.

**Objective**: By March 31, 2015, the Government Purchasing Agency will have rolled out an internal training and development program.

**Measure**: Internal training and development program implemented.

**Indicator**: Agency staff participating in the training programs.

In 2014-15, the Government Purchasing Agency provided a training program that offered insight into relevant subject matter including legislation, contractual requirements, policy initiatives and sustainibility. Agency staff was offered the opportunity to participate in seven training sessions on various aspects of purchasing. These offerings included subject matter on the legal and contractual implications of tendering in our current environment; the importance of privacy and access to information with respect to business clients; and, the importance of incorporating sustainable choices, such as green considerations, into the procurement process. Staff was also offered information sessions on the type and service delivery options for in-house learning and development.

**Objective**: By March 31, 2016 the Government Purchasing Agency will have begun the roll-out of a training strategy to public sector entities.

**Measure**: Training strategy to public sector entities commenced.

**Indicator**: Training strategy to public sector entities has commenced.

# Opportunities and Challenges

*As the concern over the environment grows the concept of "green" procurement has risen to the forefront and is forming part of procurement documents.*

The identification and development of strategic procurement opportunities along with the management of these contracts will continue to be a focal point for the Agency. In today's financial situation the challenge to find opportunities to realize savings is magnified.

The Agency has begun this process and looks forward to building on the progress made in the past couple of years with the Strategic Procurement Project. As procurement evolves the emphasis strictly on price is reduced and other factors are given consideration as we strive to achieve best value. Social priorities in the procurement process are receiving greater attention and need to be considered when planning procurement. As the concern over the environment grows the concept of "green" procurement has risen to the forefront and is forming part of procurement documents.

In keeping with the Agency's Business Plan to reform procurement practices our resources will seek greater consultations with the supplier community to learn about new products that may be available in the marketplace. Our business community is very knowledgeable on its practices and commodities and can provide invaluable information and opinions on projects and acquisitions that government may be planning.

Coupled with closer supplier relationships the opportunity is present to form greater partnerships and alliances with other government funded bodies and with other provinces. All jurisdictions have a lot of common interests and procurement requirements and should harness this buying power for the benefit of government as a whole.

The challenge in maximizing these opportunities is to ensure the Agency recruits and retains the appropriate skilled resources allowing for continued growth and effectiveness in all aspects of procurement. The resource package that will contribute to the overall success of government procurement includes financial, human, technical and training resources.

# Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the "Report on Program Expenditures and Revenues of the Consolidated Revenue Field" for the year ended March 31, 2015. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process; however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

**Government Purchasing Agency**
**Statement of Expenditure and Related Revenues**
**for Fiscal Year Ending 31 March 2014**

| | | Estimates | |
|---|---|---|---|
| | Actual | Amended | Original |
| Salaries and Benefits | 1,506,859 | 2,241,600 | 2,241,600 |
| Transportation and Communication | 18,406 | 70,900 | 70,900 |
| Supplies | 11,132 | 20,000 | 20,000 |
| Professional Services | 145,987 | 80,000 | 80,000 |
| Purchased Services | 59,245 | 139,000 | 139,000 |
| Property, Furnishings and Equipment | 3,072 | 2,200 | 2,200 |
| Less Revenue | (357,582) | (258,000) | (258,000) |
| Total: Government Purchasing Agency | 1,387,119 | 2,295,700 | 2,295,700 |

http://www.gpa.gov.nl.ca